

BOND'S

AMERICA'S LARGEST CLOTHIER

A WORLD OF FASHION FOR MEN, WOMEN, BOYS AND GIRLS



1965 ANNUAL REPORT

YEAR ENDED JULY 31, 1965 / BOND STORES, INCORPORATED

FINANCIAL HIGHLIGHTS

YEAR ENDED JULY 31

	1965	1964	1963	1962	1961
Net sales	\$94,312,142	\$90,775,615	\$90,262,095	\$88,630,545	\$84,647,068
Net income before taxes ..	4,706,312	4,627,649	4,226,144	4,469,865	3,140,321
Net income	3,336,312	2,417,649	2,136,144	2,239,865	1,520,321
*Earnings per share	1.98	1.43	1.27	1.33	.90
Book value per share	33.65	32.67	32.36	32.31	32.23
Working capital	42,606,254	41,512,075	41,242,629	41,901,082	41,814,099

*Based on 1,688,383 common shares outstanding as of July 31, 1962; 1,684,783 on July 31, 1963 and 1964 and 1,684,683 on July 31, 1965

OFFICERS

IRVING COHENChairman of the Board
 ELLIS H. SCHECHTMANPresident
 IRVING MOSELOWITZExecutive Vice-President
 SYLVAN N. KINGVice-President
 MAURIE SANGERVice-President
 LOUIS A. GOODVice-President
 *LOUIS B. BERMANVice-President
 WILLIAM B. LOFTUSVice-President
 SIDNEY L. ROSENBLOOMVice-President
 GERALD J. LEVYTreasurer
 LAURENCE L. SHAPIROSecretary
 JOHN B. GOETKEAssistant Secretary

*Deceased October 24, 1964

BOARD OF DIRECTORS

H. ROE BARTLE	IRVING MOSELOWITZ
IRVING COHEN	MORRIS NATELSON
LOUIS A. GOOD	CHARLES F. PHILLIPS
SYLVAN N. KING	MAURIE SANGER
JOSEPH KLINGENSTEIN	ELLIS H. SCHECHTMAN

TRANSFER AGENT

FIRST NATIONAL CITY BANK, 55 Wall Street, New York, N.Y. 10015

REGISTRAR

BANKERS TRUST COMPANY, 16 Wall Street, New York, N.Y. 10015

This report to stockholders is published solely for the purpose of providing information. It is not a representation, prospectus or circular in respect of any stock or security of any corporation and is not transmitted in connection with any sale, negotiation for the sale, or offer to sell or buy, or to induce the purchase, of any stock or security.

BOND STORES, INCORPORATED

FIFTH AVENUE AT 35TH STREET, NEW YORK, N. Y. 10001

October 25, 1965

Dear Stockholder:

The accompanying financial statements reported upon by the company's accountants, set forth the financial position of your company as at July 31, 1965, and the results of its operations for the fiscal year then ended.

Record high net sales amounted to \$94,312,142 and reflect a gain of more than three and a half million dollars, equal to 4%, over the prior year's record high sales of \$90,775,615. After providing for Federal income taxes of \$1,370,000, net earnings amounted to \$3,336,312, an increase of 38.0% over the prior year's net earnings of \$2,417,649 after Federal income taxes of \$2,210,000. On a per share basis, earnings amounted to \$1.98 compared with \$1.43 for the prior year.

The company intends to file a Consolidated Federal Income Tax return for the year ended July 31, 1965, for the parent corporation and all of its subsidiaries instead of filing separate corporate returns as in prior years. This enables the corporation to use all available operating loss carry-overs of subsidiaries under current Federal income tax regulations. Accordingly, the provision for Federal income taxes is approximately \$750,000 less than would be required on a separate return basis.

Dividends at the rate of \$1.00 per annum per share, totaling \$1,684,783, were distributed to stockholders. Dividends have been paid regularly and without interruption since 1938.

Working capital at the fiscal year end amounted to \$42,606,254. The ratio of current assets to current liabilities was 7.1 to 1. The parent company remains free of bank debt and funded debt. Book value per share of common stock amounted to \$33.65, compared with \$32.67 on July 31, 1964. It is management's opinion that your company is in excellent position to finance the planned growth, including possible acquisitions, out of current funds plus funds generated from operations.

Accordingly, at its meeting in May of this year, your Directors unanimously authorized the company to acquire shares of its common stock on the open market, from time to time, depending upon market conditions, for acquisitions or other purposes. As of this writing, purchases of 3,000 shares have been made. We intend to continue to acquire additional shares of the company's common stock on the open market, from time to time, depending on market conditions.

Inventories of raw materials, work in process and finished products in our stores, factories and warehouses, amounted to \$28,810,397, and were \$1,645,035 greater than the inventories of \$27,165,362 as of the end of the prior fiscal year. This increase was due to the need to insure timely deliveries of raw materials and by our decision to accelerate our purchases in advance of an anticipated increase in raw material prices and of labor pay rates. Additionally, your management decided to support, even more aggressively, an earlier-than-usual advertising and promotional effort at the beginning of the new fiscal year to capture an even greater share of the increasingly important back-to-school market in all age categories than encouragingly resulted from its efforts in the prior year. Of importance, too, was the need to provide sufficient inventories for new stores opened during the latter part of the fiscal year and to be opened during the first half of the current fiscal year. Subsequent results in timely piece goods deliveries, sales of back-to-school merchandise, increases in raw material cost and labor pay rates amply justified our action.

During the fiscal year ended July 31, 1965, we opened seven new units and closed two downtown stores for a net gain of five. There were 139 stores and 14 agency stores in operation as of the year end. New units were opened in shopping centers as follows: Northgate, Revere (suburban Boston), Massachusetts; Roosevelt Mall, Philadelphia, Pennsylvania; Trumbull Park, Trumbull (suburban Bridgeport), Connecticut; South Hills, Pittsburgh, Pennsylvania; Topanga Plaza, Canoga Park (suburban Los Angeles), California and Valley Fair, San Jose, California. We also opened a downtown store in San Diego, California. A new and better located store was opened in downtown Detroit, Michigan, replacing an existing store closed simultaneously with the new opening.

Net capital expenditures during the year, in connection with the opening of the new stores, as well as for improvements to existing stores where lease renewals or remainder of lease terms made it feasible and advisable for us to make such expenditures, and the purchase of new machinery and equipment for our stores and factories, amounted to \$1,433,452 compared with \$1,232,689 for the preceding year.

Since the beginning of the new fiscal year, we opened new stores in the following shopping centers: Ford City, Chicago, Illinois; NorthPark, Dallas, Texas and Mellett Mall, Canton, Ohio. Presently under construction and expected to be opened before the end of 1965 are two additional shopping center stores, Fairmount Fair, Syracuse, New York and Summit Mall, Akron, Ohio. Planned for opening in Spring 1966 are five more stores, making a total of ten new stores already opened or planned for opening during fiscal 1966. It is intended that the company will continue with a steady program of expansion.

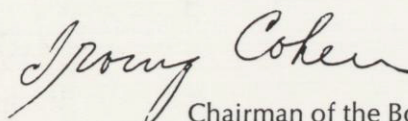
As part of our expansion plan, we are carefully evaluating the possible advantages of adding to our present franchised operations, limited to areas not considered large enough for company owned and operated stores.

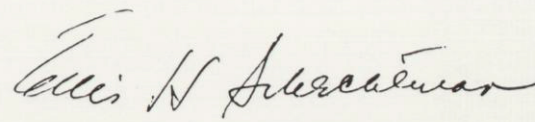
Currently, we are negotiating conditions and lease terms for a number of additional stores principally located in regional shopping centers in various parts of the country suburban to cities where we presently operate one or more stores, as well as for a number of downtown locations in which we have a continuing interest as a matter of policy. Should we be successful in concluding lease negotiations on satisfactory terms, it is expected that the majority of the openings will take place during fiscal 1967.

In support of our constant effort to maintain our favorable competitive position, we continue to seek ways and means of effecting every possible saving through the utilization of the most advanced and modern methods wherever applicable, to offset rising costs in the areas of wages, advertising, raw materials, transportation, utilities, etc. We believe that this program, developed and improved on a continuing basis, is helping us to maintain our favorable competitive position.

No report to stockholders would be complete without an expression of our appreciation and thanks to each and every one of our almost 10,000 employees, in our factories, stores and executive offices, for their loyalty, zealously and full cooperation, without which, the results achieved would not have been possible. Additionally, we express the deep appreciation of your management to all of its vendors for their cooperation, to the public for its good will and to you, the company stockholder, for your interest, confidence and patronage.

Respectfully submitted,


Chairman of the Board


President

BOND'S IS A WORLD OF FASHION



It is a fact that Bond's is America's largest clothier. It is even more to the point to say that Bond clothes are worn by more fashion-minded families than any other clothes in America.

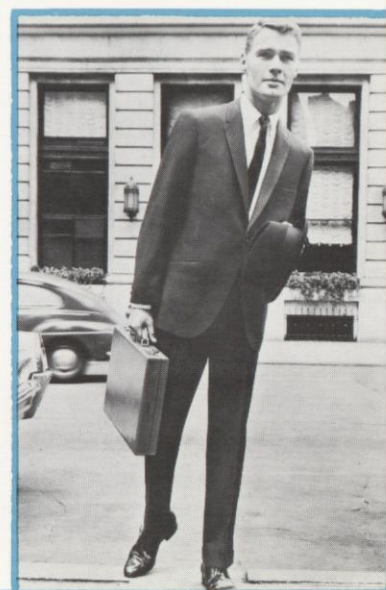
There is a direct correlation between Bond's size and its fashion presentations. Its size has been achieved by reason of its ability to satisfy the fashion dictates of a large segment of the American people.

Commitments for apparel are made only after thorough analysis of all factors based on research, development and understanding of the pulse of the buying public. Each Bond executive must answer to his own satisfaction whether a particular item of merchandise will whet the fashion appetite of the broad middle-range population of the United States. If it does not, it is not purchased. When the buyer is satisfied that it does, then Bond's puts the full force of its organizational facilities to work.

Its men's fashions are created, styled and crafted in its own factories from the finest fabrics and trimmings and with the most meticulous needlework. Fabrics are not just lengths of cloth. Every yard must meet the most stringent specifications. And styling is not based upon whim or fancy. It is studied with supreme care before decisions are made. It is for these reasons that Bond's position in popular to better priced clothing ranges remains unchallenged.

In its women's division, the casual outfit and spectator sportswear are the basic items of fashion presentation. This has been dictated by the demands of today's fashion minded women whether they are urban or suburban residents. Its women's fashion buyers present to the public outstanding collections from leading manufacturers both in the United States and abroad.

Bond's is truly America's fashion exponent for the entire family. The nation's byword is fast becoming "Better buy at Bond's. You'll be so glad you did."



BOND'S IS A WORLD OF RETAIL SHOWCASES

Just as fashion apparel changes from season to season, so does the decor and architecture of the stores that sell apparel change. Shoppers are influenced almost as much by the appearance of the apparel store as by the apparel itself.

The motivation of people toward the particular stores where they prefer to shop has been the subject of numerous studies involving departmental color, lighting, decor, merchandise packaging and presentation.

Bond's new Ford City Shopping Center Showcase in Chicago, Illinois and its NorthPark Shopping Center store in Dallas, Texas, are prime examples of the application of the most modern and scientific approaches to retail store architecture, decor and merchandise presentation.

Before construction started in these stores, Bond's submitted full-color sketches of exterior and interior design and decor to a group of experts in the field of motivation, psychology and retailing, as well as to a panel of shoppers. The outstanding features of their findings and opinions were incorporated in the finished plans and designs for these stores.

In Ford City, Chicago, the exterior, in keeping with the fully enclosed climate-controlled Mall, is distinctive for its absence of all metal. In its place, the show windows are framed in cherry wood with a look-through area that permits the shopper to see the interior of the store as well as the window displays themselves. To carry out the effect of spaciousness, there are no doors—only a rolling grill that disappears when the store is open.

At Bond's NorthPark, the Ladies Department features casual clothes. In keeping with the idea of outdoor living, Bond's created a casual atmosphere in the decor of the department. Wood finishes are in warm tones and the walls are finished in specially constructed weather-beaten shingles to give the appearance of a homey, rustic look. A specially woven red-toned tweed carpet flecked with orange and black blends and pulls together the total effect.

Throughout all Bond stores, shoppers find a new concept in lighting. An effect called "low brightness" in varying degrees is used to help accentuate and bring out the beauty in the color and fabric of the apparel.

FORD CITY—
CHICAGO, ILLINOIS
Exterior view of
show windows





FORD CITY—
A panoramic view
of a section of the
interior



FORD CITY—
Another interior
view of this new
showcase



NORTH PARK—
DALLAS, TEXAS
A view of the
beautiful exterior



NORTH PARK—
casual clothes displayed
in a chic setting



NORTH PARK—
An interior view
of another section of
this new store

BOND STORES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT JULY 31, 1965

ASSETS

Current Assets:

Cash		\$ 5,126,588
Accounts receivable—customers	\$15,720,037	
Less: Reserve for doubtful accounts	<u>390,262</u>	15,329,775
Miscellaneous accounts receivable		332,266
Merchandise inventories—Note A:		
Woolens, trimmings, etc.	4,219,019	
Work in process	1,390,889	
Finished goods	<u>23,200,489</u>	28,810,397
Total Current Assets		<u>49,599,026</u>

Other Assets	1,035,485
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Fixed Assets—at cost—Note B:

Land and buildings	\$10,306,955	
Less: Reserves for depreciation	<u>2,514,408</u>	7,792,547
Machinery, furniture, fixtures and equipment	9,150,566	
Less: Reserves for depreciation	<u>4,801,748</u>	4,348,818
Alterations, improvements and leaseholds	2,851,245	
Less: Reserves for amortization	<u>1,195,142</u>	<u>13,797,468</u>

Deferred Charges:

Prepaid rent and advances to landlords on improvements to leased properties	729,096	
Unexpired insurance and other prepaid expenses	<u>1,049,548</u>	<u>1,778,644</u>
		<u>\$66,210,623</u>

LIABILITIES

Current Liabilities:

Accounts payable		\$ 2,162,651
Deposits and due to customers		348,493
Accrued expenses and sundry liabilities		3,123,012
Reserve for Federal income taxes—Note C		1,201,216
Mortgages payable—current installments—Note B		<u>157,400</u>
Total Current Liabilities		6,992,772
Mortgages Payable by Subsidiaries—Note B	\$ 1,939,619	
Less: Current installments shown above	<u>157,400</u>	1,782,219
Reserve for Unrealized Profit on Sale of Leasehold		750,000

Capital Stock and Surplus:

	<u>Shares</u>	
Preferred Stock—		
par value \$100 per share:		
Authorized to be issued in series as designated		
by the Board of Directors	100,000	
Retired and cancelled	<u>60,000</u>	
Authorized but not designated	<u>40,000</u>	
Common Stock—		
par value \$1 per share:		
Authorized	<u>2,500,000</u>	
Issued	<u>1,688,383</u>	1,688,383
Capital Surplus (no change during the year)		11,596,136
Earned Surplus—Exhibit B		<u>43,461,678</u>
		56,746,197
Less: Treasury stock—at cost (3,700 shares of Common Stock)	<u>60,565</u>	<u>56,685,632</u>
		<u>\$66,210,623</u>

The accompanying notes are an integral part of this statement.

BOND STORES, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEAR ENDED JULY 31, 1965

EXHIBIT B

Sales		\$94,312,142
Cost of goods sold and stores and general and administrative expenses, exclusive of depreciation and amortization—Note D		<u>89,009,625</u>
		5,302,517
Add:		
Income from owned real estate before depreciation—Note E	\$153,374	
Other income—net	<u>314,515</u>	<u>467,889</u>
		5,770,406
Deduct:		
Depreciation and amortization		<u>1,064,094</u>
Net income before Federal income taxes		4,706,312
Provision for Federal income taxes—Note C		<u>1,370,000</u>
Net income		3,336,312
Earned Surplus as at July 31, 1964		<u>41,810,149</u>
		45,146,461
Dividends on Common Stock		<u>1,684,783</u>
Earned Surplus as at July 31, 1965—Exhibit A		<u><u>\$43,461,678</u></u>

The accompanying notes are an integral part of this statement.

BOND STORES, INCORPORATED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS AS AT JULY 31, 1965

NOTE A: Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method or invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for pricing the merchandise inventories are consistent with the practice of prior years.

NOTE B: Properties owned by subsidiaries are subject to first mortgages in the amounts of \$19,400, \$1,627,000 and \$293,219, payable in installments to August 1, 1966, December 17, 1967 and September 1, 1974, respectively. At said dates the unamortized balances of the mortgages become due and payable. The Corporation is not liable under such mortgages, but is the lessee of certain of the properties under long-term leases, which leases are assigned as collateral under the mortgages.

NOTE C: The Federal income tax returns of the Corporation have been examined to July 31, 1962.

The Corporation and its subsidiaries intend to file a consolidated Federal income tax return for the year ended July 31, 1965, instead of filing separate corporate returns as in prior years. The filing of a consolidated tax return under current Federal income tax regulations enables the Corporation to use all available operating loss carryovers of subsidiaries. This results in a provision for Federal income taxes which is approximately \$750,000 less than would be required on a separate return basis.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

NOTE D: The Employees' Profit Sharing and Retirement Fund Trust Agreement, as amended, provides, among other things, for (1) voluntary contributions by eligible employees, (2) contributions by the Corporation and its subsidiaries, out of net earnings for the year as defined in the agreement, based upon the participating employees' contributions, (3) additional contributions by the Corporation and its subsidiaries computed at various percentages of net earnings for the year as defined in the agreement after deducting therefrom \$4,000,000 plus \$1 per share for any additional shares which the Corporation may issue after December 31, 1952, excluding additional shares resulting from stock dividends or split-up of stock and (4) the right of the Corporation to discontinue contributions to the plan.

The contributions of the Corporation and its subsidiaries for the year ended July 31, 1965, amounted to \$105,051.

NOTE E: This item includes intercompany rental on property partly occupied by the Corporation.

GENERAL: As at July 31, 1965, the aggregate minimum annual rental upon real property leases, other than intercompany leases, amounts to approximately \$3,842,000. Of the foregoing amount, \$330,000 expires prior to 1968, \$1,821,000 expires between 1968 and 1978, and \$1,691,000 expires thereafter. Certain of these lease agreements provide for additional rentals based on sales or for payment of certain expenses, such as real estate taxes and maintenance costs.

In connection with the profitable sale in a prior year of a leasehold which expires on April 30, 1998, the Corporation guaranteed performance (guaranteed in turn to the Corporation by the parent company of the purchaser) of the obligations under the lease to April 30, 1996, including net annual rental payments of \$24,000 to April 30, 1975, and \$32,500 thereafter.

ACCOUNTANTS' REPORT

TO THE BOARD OF DIRECTORS,

BOND STORES, INCORPORATED, NEW YORK, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated, and subsidiaries as at July 31, 1965, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of Bond Stores, Incorporated, and subsidiaries at July 31, 1965, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

NEW YORK, N. Y.
OCTOBER 7, 1965

S. D. LEIDESDORF & CO.

LOCATION OF BOND STORES AND AGENCIES

ALABAMA

BIRMINGHAM

CALIFORNIA

ANAHEIM
CANOGA PARK
EL MONTE
GLENDALE
HOLLYWOOD
HUNTINGTON PARK
LAKEWOOD CENTER
LOS ANGELES (5 stores)
NORTH HOLLYWOOD
OAKLAND (2 stores)
PANORAMA CITY
PLEASANT HILL
SAN DIEGO (3 stores)
SAN FRANCISCO
SAN JOSE (2 stores)
WEST COVINA

COLORADO

DENVER

CONNECTICUT

HARTFORD
MILFORD
NEW HAVEN
*NEW LONDON
*TORRINGTON
TRUMBULL

DELAWARE

*WILMINGTON

DISTRICT OF COLUMBIA

WASHINGTON

FLORIDA

*JACKSONVILLE

GEORGIA

ATLANTA

ILLINOIS

CHICAGO (8 stores)
HILLSIDE
KANKAKEE
NILES
SPRINGFIELD

IOWA

DES MOINES

KENTUCKY

LOUISVILLE (3 stores)

LOUISIANA

*MONROE

MAINE

*PORTLAND

MARYLAND

BALTIMORE (2 stores)
HYATTSVILLE

MASSACHUSETTS

BOSTON
FALL RIVER
*LAWRENCE
REVERE

MICHIGAN

DETROIT (2 stores)
MADISON HEIGHTS
MT. CLEMENS
PONTIAC

MINNESOTA

MINNEAPOLIS

MISSOURI

KANSAS CITY
ST. LOUIS (4 stores)

NEBRASKA

*HASTINGS

NEW JERSEY

AUDUBON
EATONTOWN
JERSEY CITY
MENLO PARK
MOORESTOWN
NEWARK
NEW BRUNSWICK
PARAMUS
TRENTON

NEW YORK

ALBANY
BUFFALO
*ELMIRA
HICKSVILLE, L.I.
HUNTINGTON, L.I.
NEW HYDE PARK, L.I.
NEW YORK (6 stores)
ROCHESTER (3 stores)
SCHENECTADY
SYRACUSE
VALLEY STREAM, L.I.
BAYSHORE, L.I.

OHIO

AKRON (4 stores)
CINCINNATI (2 stores)
CLEVELAND (5 stores)
COLUMBUS (2 stores)
DAYTON (2 stores)
LORAIN
*SALEM
TOLEDO (2 stores)
YOUNGSTOWN

PENNSYLVANIA

*CHESTER
PHILADELPHIA (3 stores)
PITTSBURGH (2 stores)
READING
SCRANTON
WILKES-BARRE

RHODE ISLAND

PROVIDENCE

TENNESSEE

CHATTANOOGA
MEMPHIS (2 stores)

TEXAS

AUSTIN
DALLAS (4 stores)
FORT WORTH (2 stores)
HOUSTON (4 stores)
SAN ANTONIO (2 stores)

VERMONT

*BARRE
*RUTLAND

VIRGINIA

FALLS CHURCH

WEST VIRGINIA

*PARKERSBURG

WISCONSIN

MILWAUKEE (2 stores)

*AGENCIES

Factories in Rochester & Poughkeepsie, N.Y., New Brunswick, N. J., and Meridian, Miss.